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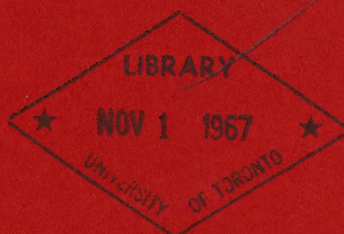
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The Unfinished Business in Social Security

John S. Morgan & Albert Rose



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THE UNFINISHED BUSINESS IN SOCIAL SECURITY

John S. Morgan and Albert Rose

Introduction

There is a very real danger in Canada that we shall, by remaining silent, acquiesce in the view that there is little or no unfinished business in social security, with the possible exception of a national medical care scheme. It has become fashionable for politicians, civil servants and even some academics, to dwell upon the remarkable difference between so-called health and welfare expenditures in 1914, or before 1930, and those of the 1960's as if this were the difference between social insecurity and social security. The argument is sometimes more sophisticated, of course, and reference is made to changes in population, in national income, in employment patterns and in the society as a whole. Per capita expenditures and the proportion of national income spent on health and welfare programmes are more refined data but the underlying assumption remains the same.

It has become fashionable, as well, to compare and contrast the nature and variety of the public and voluntary programmes in the health and welfare services of the period prior to World War I, with the public and voluntary programmes after World War II, as if this comparison, too, indicated that the millenium had arrived. A simple recital of the programmes extant and the number of beneficiaries or clients served is, again, of little value without reference to the major attributes of the society in which human need arises.

It is well to be aware of what we have accomplished in providing services to meet the needs of persons and families in the modern industrial society but pride must always be tempered by reality. Even if we were to achieve a national medical care scheme in Canada within the next five years we would really have managed to provide the framework for a program of social security appropriate to the social and economic conditions of the quarter century which commenced in the fall of 1929. The nation and its society have not remained stationary in the meantime and the very designation, "the metropolitan urban industrial society", suggests that our framework may no longer be appropriate.

In this paper we propound the view that there is a good deal of unfinished business in social security in Canada. The argument begins with a very hard look at the so-called Canada Pension Plan, notwithstanding the important improvements announced by the Prime Minister in mid-February. It is not that we believe that the Plan is "everything" in the immediate future of Canadian social welfare policy but we are of the view that it may very well "control" or determine "everything", as we shall explain. The presentation then proceeds with an analysis of the short-run tasks required to introduce a real measure of social security into the Canada Pension Plan. A brief examination of the "unfinished business of welfare services" requires some consideration of the health services, education and housing. Finally, the argument concludes with a look into the future of social security policies and programmes in an industrial society in which technological change is so rapid that each person may be required to embark upon three or more work careers in the course of an average lifetime. These long-term considerations obviously require the most careful study by organized labour.

Social Insecurity in the Canada Pension Plan


No one who has made a careful study of the Canada Pension Plan can avoid the conclusion that it marks a new phase in Canada's welfare development. There is a real danger that we shall become so hypnotized by the fact that we have made an attempt to establish a more extensive contributory programme for income maintenance that we shall neither be sensitive to the weaknesses of the plan nor aware of its impact for good and ill on our social security system as a whole.

Let us first deal with the Canada Pension Plan as it stood in Bill C 136. In the first place it must be noted that it is not a plan for contributory pensions on retirement or for old age pensions; though one would think from the public discussions that this is what the plan is. It is a plan to amend the Old Age Security Act and to add a contributory plan for wage-related benefits in respect of retirement, disability, widowhood, orphans and death.

The Old Age Security Act of 1952 remains in force and provides a flat rate age benefit for all Canadians, paid for, in any practical sense of the words, out of taxation - although the tax is a combination of an earmarked portion of the federal personal income-tax, sales tax and corporation tax. It should also be noted that this tax is a regressive tax in the field of personal income tax, in that it is a tax of 4% of taxable income up to a maximum of \$3,000, that is, \$120.00 per taxpayer. For those who do not pay income taxes, there is no contribution; for those with taxable incomes above \$3,000, the tax represents an increasingly diminishing proportion of their incomes.

In the early drafts of this paper Prof. Morgan prepared a detailed and careful indictment of the provision in Bill C 136 for a substantially reduced flat-rate benefit for those who elected or were forced to accept the Old Age Security Allowance at age 65. The original provision was based upon the faulty assumption that an individual actuarial relationship could be introduced into a system of contributory social insurance. If it had been adopted, this section of the legislation would have placed more than half of those retiring between age 65 and 69, in a most invidious position. The Canadian Welfare Council, the Canadian Association of Social Workers and the Canadian Labour Congress protested this proposal vehemently. In all fairness, it must be admitted that the announcement of February 17, 1965, that the full Old Age Security benefit will be paid at age 65 by the end of the decade, has gone a considerable distance in removing the most serious weakness in the Bill.

Nevertheless, those with little or no income upon retirement or reaching age 65 can already receive an amount equal to the full Old Age Security Allowance upon application and a test of means. About one in five Canadians in the age group 65-69, have done so in recent years. The amendment announced by the Prime Minister will save these people from an unjust reduction in their financial circumstances but it will not provide a modestly adequate standard of living. Mailing monthly cheques to people does not take care of the common human needs for medical care, housing, recreation and social contact. We may note, ironically, that the provision of Old Age Assistance did at least guarantee one visit each year to each elderly recipient.



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The Federal Government has thus withdrawn from the programme known since 1952 as Old Age Assistance. It is not difficult to predict that some persons will not be able to qualify for the Old Age Security Allowance at age 65, for any one of a variety of reasons. Moreover, as the years pass it will be found that the combination of the basic wage-related benefit and the O.A.S. Allowance will be insufficient for some persons or families. Inevitably a new burden of pressure will be directed at the Provincial Governments to encourage and develop a new assistance and services programme without the customary federal contribution. In our view, the Canada Pension Plan should have been accompanied by an entirely new public assistance bill.

Having continued the principle of a flat-rate basic benefit to the aged paid from taxation, the Canada Pension Plan sets a basic flat-rate of benefit for three new classes of person, namely disabled persons, widows over 45 (with an option to widows between 35 and 45 to take a pension on pro rata reduction by age), and orphans of a deceased breadwinner. But, for some unstated reason this flat-rate benefit is to be paid from the Pension Fund, created out of contributions by employed persons, employers and self-employed without any support from the taxpayer. The amount of this flat-rate of benefit - \$25 a month, appears to have no ascertainable basis other than a mathematical one. It is patently inadequate, even as a base, to provide income security. Even with the wage-related supplements, and even when the Canada Pension Plan has reached maturity in 1981, a disabled person with a solid average earnings record of \$5000 a year will receive a pension of \$110 a month (or \$1320 a year)¹, which is quite insufficient to enable him to live at any reasonable minimum standard of subsistence in any part of Canada - let alone support any dependents. At any rate before 1981, the amounts will be proportionately more inadequate.

¹ Chief Actuary's Report Proceedings - No. 10, p. 492 Appendix V.

The core of the Canada Pension Plan is concerned with supplementary income benefits, based on contribution records, which will add a variable "income" on top of the "flat-rate" benefits in respect of retirement, disability, widowhood and dependent orphans, together with a lump sum death benefit. Although the Deputy Minister of Welfare stated in evidence that "the proposed legislation would greatly reduce the relative role of assistance in the provision of old age income security"², it seems clear that the combined effect of inadequate basic flat-rates of benefit for all classes, and the inadequacy of the supplementary benefit scales, may well be to increase the numbers of persons who must be assisted by complementary social assistance schemes. If this happens the Canada Pension Plan will have achieved nothing for thousands of people in need except further to complicate their inadequate financial position and render them less secure, if only because of the added uncertainties and the additional complexities of the public provisions for income maintenance.

If this further expansion of the public assistance case-load should occur - and it is difficult to see how it can be avoided - the Canada Pension Plan will have failed in one of the major objectives of any social insurance programme - that of providing a sufficiently adequate income to large numbers of people, whose major social need is a sufficient money income, to remove them from the public assistance case-load. But it is clear from the evidence of the Deputy Minister of National Welfare before the Joint Committee of the Senate and the House of Commons that no sufficient progress has been made in the discussion with the provinces of the impact of the Canada Pension Plan on the present public assistance programmes to enable anyone to say what the effects will be. (e.g. see Proceedings No. 7, p.370-71)

All we can do, in the face of this lack of adequate study, is to speculate. Let us suppose that the Deputy Minister is correct in his assumption that large numbers of those now eligible for public assistance will be sufficiently provided with income by the operations of the Canada Pension Plan to remove them from the public assistance case-loads of the provinces. If this merely transfers the financial burden of providing these people with an income from the taxpayer, where it is presently carried through the operations of the federal-provincial shared public assistance programmes, and places this burden on the Canada Pension Fund, then the result will be most undesirable. Indeed it might well be described as anti-social. For the Canada Pension Plan is to be financed, in substantial part, by the contributions of wage earners.

Moreover, the effect of the cut-off at \$5000 of earned income, upon which contributions are to be paid, makes this a highly regressive form of taxation. This can be clearly seen if the impact of the 1.8% of "pensionable earnings" is traced through its consequences for contributors of varying incomes.

TABLE I

Percentage of earned income paid in "contributions"
under the Canada Pension Plan as set out in Bill C 136

<u>Earned Income</u>	<u>Contributory Earnings</u>	<u>Contribution</u>	<u>Contribution as % of Earned Income</u>
\$ 1,000	\$ 400	\$ 7.20	.72
1,500	900	16.20	1.08
2,000	1,400	25.20	1.26
2,500	1,900	34.20	1.36
3,000	2,400	43.20	1.44
3,500	2,900	52.20	1.48
4,000	3,400	61.20	1.53
4,500	3,900	70.20	1.55
5,000	4,400	79.20	1.58
6,000	4,400	79.20	1.32

<u>Earned Income</u>	<u>Contributory Earnings</u>	<u>Contribution</u>	<u>Contribution as % of Earned Income</u>
\$ 7,000	\$ 4,400	\$ 79.20	1.13
8,000	4,400	79.20	.99
9,000	4,400	79.20	.88
10,000	4,400	79.20	.79
11,000	4,400	79.20	.72
12,000	4,400	79.20	.66

In short, the lower income earners are to carry a major share of costs hitherto borne by taxpayers under a progressive tax system where the main burden falls upon the higher income earners. Clearly, unless a massive increase is made in the provision of essential services, both expanded public assistance programmes and the development of essential welfare services available to all Canadians who need them, out of tax revenues, the Canada Pension Plan will have achieved only a socially retrograde result of relieving the higher income earners at the expense of the lower income earners. When it is added that the Canada Pension Plan is to be a funded plan, at the insistence of Quebec, and that the "forced savings" that will go to make up a large part of the anticipated \$4 billion fund by 1976, will be taken out of incomes between \$1000 and \$5000, the social justice of the Plan must be called into serious question.

One could add a long list of other deficiencies of the Canada Pension Plan as it is now proposed. The introduction of moving indices and the complexities of the calculation of the wage-related benefits make it quite impossible for anyone - even for the officials of the fund - to tell a contributor what his benefits are likely to be if he chooses to retire or becomes disabled; or what his dependents' benefits will be if he dies prematurely. The element of predictability which is an essential component of "security", has been almost entirely lost. The comparatively feeble provisions for thorough review of the plan in the light of experience, the obscurity and infinite complexity of the legislation combined with the cumbersome and evidently impracticable nature of the appeal procedures, which leave the aggrieved contributor at the mercy of the establishment, or worse still, of quacks and self-appointed "advisers", are other features deserving the most suspicious re-examination.

One could also look at the purposes and the features of the Plan that deserve approval. The Canada Pension Plan does begin to lay the foundation for a decent set of social security provisions in Canada. It does represent a long-awaited recognition that the flat rate system of old age security, by itself, is inadequate and even inappropriate, in a rapidly changing urban industrial society. In this paper, however, we are concerned primarily with the "unfinished business" of social security and must, by definition, touch only briefly upon the many accomplishments in our system.

The Canada Pension Plan, then, will greatly change the whole structure of Canada's welfare services. The Unfinished Business must take on social dimensions. The first steps must be to clear up the mess in the Plan itself. The next step, in the short-run future we hope, will be to fill in the gaps that have not been dealt with either by the Plan, or by the adjustments that are needed to relate the Plan to the remainder of the welfare services in some kind of articulated whole. Our own judgment is that as we work at these short-run amendments and extensions, we shall be forced to realize that many of the assumptions on which we have developed our social security programmes and our welfare services are no longer valid. It will be necessary to redesign and reorganize our arrangements on a new plan based on a new set of assumptions and aimed at a new set of objectives.

The Short-Run Tasks -- Social Security in the Canada Pension Plan

Let us turn first to the short-run tasks. The Canada Pension Plan must be improved out of all recognition. We should first extend the list of "contingencies" (as they are called in the I.L.O. Conventions on Social Security) for which we recognize that, as a nation, we must accept major responsibility. The Plan, as it stands, now recognizes retirement, old age, disability, and support of the widows and orphans of employed persons. We already have unemployment, industrial injury or disease and crop failure covered by other legislation. We have not yet recognized loss of income due to sickness - a glaring omission which must be remedied as soon as possible. Nor have we found any satisfactory solution for inadequacy of income from employment in the necessarily seasonal occupations like fishing and logging.

The next task must be to amend the Plan in such a way that it does not place a major proportion of the cost of income security upon the lower income earners, as it now does. There are at least two ways in which this could be achieved. The first has already occurred to a large number of people - indeed it may be partially achieved before the Plan reaches the statute book - and that is to remove the ceiling from the "pensionable earnings" and accept the principle that social insurance is radically different from commercial insurance in this one - as it is in other - respects. There can be no direct actuarial relationship in a social insurance programme between what an individual pays in contributions and what he gets, if anything, in benefits. The core of social insurance must be that contributions represent a pooled contribution to which all who earn contribute according to their means while they are earning; and that all benefits are paid as items in a pooled risk, from which individual beneficiaries derive benefits established by social judgment at the time they receive them as adequate for the needs of the individuals at risk.

The second way in which we could reverse the sharply regressive taxation now embodied in the Plan, would be to expand the principle contained in the Old Age Security Act, so that the minimum basic benefit for all contingencies would be paid as a right out of an Income Security Fund, and here again the "ceilings" of income on which contributions are payable, should be removed. Alternatively these basic minimum security allowances might be paid out of the general tax system, based on progressive taxation and the present rather clumsy and regressive system of contributions to a self-balancing Fund under the Old Age Security Act would be discontinued. There is no discernible logic in keeping the risk of loss of income through frictional unemployment separate from the other contingencies covered by the Plan. The National Employment Service having now gone where it belongs, to the Ministry of Labour as a potentially powerful instrument of a constructive man-power policy, unemployment would become just one major contingency to be provided for under the general programme of income security. The successful illogic of to-day's provincially operated Workmen's Compensation may survive another generation or two, until the mobility of labour and the growth of Canada make it unworkable.

These changes would greatly simplify our present system - if it can be called a system - of income security during the periods of non-earning that are an inherent part of our current industrial wage-earning society. The Old Age Security Act would become the Income Maintenance Act - or the Income Benefits Act - and would provide a basic flat-rate income to all persons affected by any of the recognized contingencies. The Canada Pension Plan - misnamed in any event - would become the Supplementary Income Benefits Act and would be designed as a contributory scheme to provide a wage-related supplement to the basic benefit system in order to adjust the total benefit to some relationship with the individual's standard of living as an earner.

The present benefit structure of the Plan needs drastic amendment. The basic flat rate of \$25 a month for the new categories of widows, orphans and the disabled is socially unjustifiable and has no logical basis. It can only lead to penury and misery for those affected and must produce major complications in the federal-provincial assistance programmes, without benefit to the people in need. All adult human beings have the same essential needs and these should be met in time of need by the same basic benefits whatever the cause of need. It is a mockery of human values to suggest, as the Plan now does, that an older person of 70 has basic needs rated at \$75 a month, but the widow's needs or a disabled person's needs can be met with a basic benefit of \$25 a month.

The actual amount of the basic allowance for all contingencies should be based on careful and continuous study of all the relevant factors. These must include not only the monetary and financial facts reflected in the Consumer Price Index and the Average Adjusted Wage Index, but also the social judgments about reasonable expectations of a minimum standard of living that are current at any given time. There should be provision in the legislation for review and adjustment of the basic assumptions underlying the benefit rate structure at stated intervals of say five or ten years. The provisions now in the Plan for annual movements in sympathy with the two indices merely adjust the rates by mathematical formula to take account of inflation and rising wages - they do not and cannot substitute for a regular overhaul of the fundamental social assumptions upon which the rate structure is based.

Finally in dealing with the need for income, we must recognize that any automatic system which pays benefits based upon averages and upon judgments about whole populations must necessarily fail to deal with the infinite variety of human circumstances that actually occur in the lives of real people in real families. If these overall programmes are adequate in their coverage of people and in their recognition of the main contingencies, we are justified in assuming that a large majority of those affected can solve their own problems and meet their own needs in ways of their own choosing without further intervention by the state in their affairs.

There will always be a substantial number of individual human situations where the product of these mass benefit schemes will be inadequate to meet their genuine need. To meet these situations we must have a public assistance programme which ensures an adequate income on an individualized basis. To achieve this we must stop moaning about the means test and recognize that in order to identify these additional obligations, we must have acceptable criteria against which to determine which individuals are entitled to extra income beyond that provided by the universal schemes - and to decide how much is needed and for how long and on what conditions. What we must create, in parallel with the Plan, is a re-organized and reinvigorated public assistance programme, adequately staffed with competent qualified workers, that will operate to enhance the dignity and enrich the lives of individuals and families whose needs are acknowledged and defined by responsible individual study and active support. There is a real danger that the nature of human need will be lost in the maw of the computer. Unless we take urgent preventive and protective action we shall all become animated averages on the desk of a program clerk, ensconced behind an entanglement of unintelligible regulations - unintelligible, that is, to all except the most sophisticated bureaucrats.

The Unfinished Business of Welfare Services

The next major area of unfinished business relates to what we would describe as welfare services. It is now being increasingly understood that while ensuring a basic income for individuals is absolutely essential, it is not, by itself, adequate to ensure an acceptable standard of well-being in the community. For a long time we have been plagued with the idea that only "the poor" - by which we meant "persons in receipt of public aid" or at best persons in receipt of income from our social security programmes - needed publicly provided services. Other people, it was assumed - and still is assumed by a large number of Canadians - can take care of themselves by purchasing the services they need.

It is now becoming clear that many of the services we all need are often not available because they can only be created by mobilizing the whole resources of the community; and, just as often, if they do exist they are only available to persons with high incomes. Moreover, the distribution of available services is further distorted by the financial considerations so that the available resources are most heavily engaged by the higher income groups. One way in which organized labour has met this situation has been to include some services in its bargaining arrangements. This, of course, is notably true in including health services in the "fringe benefits" - and thus the members of unions - a minority of Canadians - have joined the minority of the "rich" in having access to services not available to all Canadians.

It seems clear that we must now begin to examine the area of services, and identify those services which should be available, without financial barriers, to all Canadians. These fall into two main groups:

1. The services - let us call them "environmental services" - which establish the prerequisite conditions of an acceptable minimum standard of living for all Canadians.

2. The services - preventive - protective, curative and rehabilitative - which are essential to persons who are among the socially "disadvantaged" groups in society - the sick, the disabled, the socially disrupted families, the occupationally unqualified, etc. - if they are not to remain long-term dependents, a burden to themselves and to the community. These groups are not confined to "the poor", though we have thus far looked for them only in this income group.

The "Environmental Services"

In the first group we should now classify at least three main areas of basic service as needing urgent attention as matters of national policy:

1. Health Services
2. Education at all ages - including post-secondary, vocational and recreational facilities
3. Housing

There is only space in this paper to indicate, in broad terms the objectives of policy to which we ought to direct early attention. Each of them requires extensive research and widespread discussion. And the need for these steps is most urgent, because in each of these areas massive action is already being taken by governments that will fashion the shape and style of these services for several generations to come. Except in the field of health, organized labour in Canada appears to have done little or no systematic research, to have no policy - except in the generalizations of platform speeches - and to have conducted little effective membership education. If something is not done soon, the voice of Labour will sound too late to be effective.

The Hall Commission Report must be the bench-mark for further examination of health services. It is encouraging to find this Commission - somewhat unexpectedly in view of its membership - declaring that the only effective way to organize health services for Canada is through a national public plan. It is less encouraging - indeed it is downright discouraging - to find that Ontario proposes to pre-empt the field with a Plan that merely protects the existing vested interests. The probability is that this action, like the previous action of the Ontario government in its Portable Pensions Committee and the first Pension Benefits Act, will serve to confuse and complicate the situation without benefit to anyone - and with grave impediment to the development of sound health services. We sincerely hope that we shall not wake up one morning to find - as we did in the case of the Pension Benefits Act - that organized labour has endorsed the Ontario Health proposals under the illusion that it represents the half loaf that is traditionally more desirable than no bread.

Again, we must look rather carefully at the Hall Commission Report before we become overly enthusiastic. We have come to recognize two grave omissions in it. In the first place it assumes that the national plan will accept and reproduce medical facilities as they now are. There is nothing in the Report about achieving a more equitable distribution of scarce personnel and facilities: nothing about the re-orientation of medical practice to ensure that the service provides what the community needs rather than what particular groups happen to want to practice; nothing to ensure minimum standards of care, in spite of the carefully documented revelations of the Clute Report, further reinforced by the somewhat dramatic but nonetheless effective activities of Toronto's Chief Coroner. There is also little or nothing in the report about the maintenance of good health by the development of preventive medical care, the organization of health services as distinct from sickness services.

Education now holds the headlines. Decisions are now made that determine, for example, how many Canadians will get a university education in the next twenty years. The re-organization of elementary and secondary education is being undertaken. Post-high school education, other than university education, vocational education and training for adults who now hold jobs but need to re-equip themselves for the new technologies, preparation for the satisfying and productive use of increased leisure time - all of these are under discussion but little has been done about them. Unless organized labour is prepared to devote some time and resources in man-power and money, to the study of these matters, it will be ignored - as it has been ignored in the development of university expansion policies - and the fault will lie on your own doorsteps. Unless you demonstrate that you have something to contribute of real substance to research, discussion and experiment in these areas, your voice will be too quiet to be heard.

Housing policies and programmes constitute an area of services which many people believe fall outside the realm of social security. Since there is widespread conviction, however, that there is a close association between inadequate housing and living conditions and what might be termed "social insecurity", it is difficult and extremely dangerous to forget about our chronic incapacity to meet the housing requirements of a substantial proportion of our population, or to assume that they are being met in the midst of fantastic urban growth and attendant construction activity.

In Canada the paradox is further complicated by the theoretical soundness and indeed paper excellence and apparent flexibility of our National Housing Act. The federal legislation offers financial, technical and administrative assistance in the provision of housing for home ownership, housing for rental, housing for the middle class, housing for the lower class, housing for the well-to-do, housing for the poor, housing for university students in residence, and for research, planning and implementation of slum clearance and urban renewal programmes involving conservation of neighbourhoods, rehabilitation of housing and urban re-development.

Why, then, does the legislation not work? The answer is that it does work, but like much legislation in the modern industrial urban society, it works best for those who need its assistance least. On the one hand, since 1946, nearly two million new dwellings have been constructed in Canada, some forty per cent as a consequence of direct or guaranteed mortgage loans. On the other hand, with even a relatively elastic definition, not more than 20,000 dwelling units of low-rental public housing have been built for families and elderly persons in the same period. This is a shocking performance for an affluent western industrial nation yet, to be quite truthful, not many people really care very much that this is so. Alternatively, even if they care, they have long since given up the struggle in the face of incredible frustration at the administrative confusion, inter-governmental rivalries and jealousies, and displays of plain ineptitude.

The fact is that at least 250,000 Canadian families and half a million elderly persons or couples would have their lives changed drastically and positively in short order, if they were enabled to rent or buy decent, safe and sanitary accommodation of adequate size, at a price they could afford to pay. Our incapacity to meet their need for shelter is in substantial measure related to our own seeming inability to locate the proper target for political and social action. In Canada the initiative in housing and urban renewal matters continues to rest with the local government, yet we seem to devote our scattered efforts to pushing our federal and provincial representatives to enact and amend jewel-like laws which are rarely acted upon and often not even understood by those who must initiate their use.

In Canada we have displayed an amazing propensity to give up housing and planning programmes before we have even tested their effectiveness, and to move on to new programmes without understanding the new requirements or the reasons for their being. Thus we moved away from the early postwar reliance upon the appeals for slum clearance and public housing, through urban redevelopment to the sophisticated, inclusive, comprehensive concept of urban renewal, without doing much clearance or public housing and precious little redevelopment. Now it appears possible to do almost anything within the legislation except deal quickly, firmly and soundly with the fundamental needs of people.

The Ontario Federation of Labour has been reasonably active in continuing the pressure for adequate housing programmes but it is our impression that organized labour as a whole, has for some years displayed a lack of interest in this area of environmental services. It is hoped that this tendency, if it does exist, will soon be altered and that strong and continuous pressure will be applied in the first instance at least, at the local level of government.

The "Welfare Services"

A few comments are appropriate with respect to the more narrowly defined "welfare services". Here we are thinking of family counselling services, child care services over a wide range of needs, from better adoption legislation to homes for emotionally disturbed children, vocational guidance services, mental health clinics, home-helps, home-nursing, services for the elderly such as "meals on wheels", credit buying control and advisory services, improved employment services, marriage guidance clinics, recreation and youth services, day-care centres and day-nurseries - this list could no doubt be extended to twice its length. These are all services that ought to be available in a civilized modern community. They need to be developed in some orderly plan which combines public and private initiative and which ensures adequate co-ordination and balanced development. The basis of eligibility should not be the financial need of the applicant, but the need of the human being for skilled service. In our judgment, the key to the development of a sound pattern of services lies in the expansion of the role of public welfare at the level of provincial and the larger municipal units of government. The United States has already begun to make significant progress in this area since it abolished its Bureau of Public Assistance in the Department of Health, Education and Welfare in 1962 and established, in its place, the Bureau of Family Services.

In brief, the essence of the short-run Unfinished Business is to start moving towards an integrated three-pronged National Welfare Programme of

1. Income Security
2. Environmental Services
3. Welfare Services

of which the primary objective is to establish at least a minimum standard of living for all Canadians - not measured in terms of income - but in terms of the quality of life.

Long-Term Considerations

However hypothetical these may sound to you to-day, they will be on our Agenda as rapidly as nuclear power and interstellar rocketting have emerged in the last twenty years into a generation which regarded both of these phenomena as science fiction in the 1940's. We have to learn to live with the increase of pace that is characteristic of our lives. It is simply not good enough to assume that these things will take a long time. Time will not wait for us to act in the same degree that it waited for our fathers or even for us in the past twenty-five years.

It seems to us that we must listen with more than our ears to the steady and authoritative sound of voices telling us that "income" has changed its meaning. The clearest statement of this is to be found in Richard Titmuss' Income Distribution and Social Change - but it can be found in many other places, and most clearly of all, may be seen in the contract negotiations of modern industry. Some years ago, at your last consultation, Prof. Morgan suggested that individual income was no longer a sound measurement of a man's standard of living; what matters now is the family income. We have so far made little or no attempt to adjust our welfare programmes to this fact.

It is now becoming clear that it is no longer sound to assume that "income" represents the probability of a stable life's pattern of wages, increasing with increasing skill and seniority to a plateau and remaining regular - at least on an annual basis - until retirement.

The pattern is more likely to be a series of peaks and troughs of cash income from wages as technological advance produces a job history for the worker that requires new training, leads to rapid advancement in a new type of job and then declines rapidly or ceases abruptly as the job becomes obsolete - leading to a new period of training (no wages), a new job (beginning at low wages) and a rapid obsolescence. If this is probable, even for a substantial minority of workers, then all our social security programmes will be invalidated. Not only shall we have to press for decent living allowances for those who are training for new jobs, but all the assumptions of the Canada Pension Plan will become out of date - especially the calculation of benefits on a lifetime average pensionable income.

The second and even more serious adjustment that we have to make is to the fact that a person's standard of living is no longer proportionate to his cash-income. And it is the standard of living that organized labour is concerned with, not the mathematics of cash income. The current evidence lies in the emphasis on fringe benefits in the contract. These are referred to in the C.L.C. brief to the Joint Parliamentary Committee on the Canada Pension Plan as "deferred wages" - but they are not taken into account in the level of benefits in the Plan - so the benefit rates, based as they are solely on cash income, do not reflect at all the benefits won at the bargaining-table in the area of fringe benefits. It is, of course, also a matter for serious consideration whether, by seeking the extension of fringe benefits, the labour movement is not sacrificing the standard of living of a substantial majority of workers and causing a complex pattern of serious inequities, by creating a privileged minority with a high standard of living through fringe benefits, and by seeking gains in fringe benefits in a short-run struggle for immediate advantages rather than a steady advance in the standard of living of all workers. We suggest that it requires earnest examination whether the labour movement should not be working for the development of adequate welfare services for all the people rather than fringe benefits for a few.

Another aspect of the matter, if we look at the standard of living as the objective rather than the mathematics of income, is that the critical phenomenon to-day is what Titmuss calls "command over resources through time" - that is to say the capacity to call upon credit and to control capital, rather than the receipt of cash income or the actual possession of wealth. In this sense it is patently true that the rich have become much richer and the poor have become much poorer than the differences in their "incomes" would indicate. It has now been conclusively demonstrated that social security measures do not redistribute wealth as between the rich and the poor, but only as between wage earners and middle-income groups over time.³ At one end it is the managers of capital who enjoy unlimited access to high standards of living not the owners, and it is now being proved beyond a shadow of doubt that the poor pay more for the dubious privilege of obtaining less value for their credit dollars than the rich.⁴ An incidental and ironic footnote to the phenomenon of capital accumulation and control is that the Canada Pension Plan will collect the "forced savings" of the contributors between \$1000 and \$5000 a year of earned income and hand it over as capital for the use of provincial governments, while private capital and the "voluntary" savings of the upper income groups will be left entirely at the discretion of the private managers of capital investment.⁵

This probability of unstable and intermittent patterns of cash income from wages, and of the growing importance of credit and control of capital in establishing standards of living are among the most powerful influences behind the movement for the development of a guaranteed income policy which is appearing in Great Britain; and should, we believe, soon give rise to serious consideration in North America - in spite of vigorous opposition - to problems of controlling

³ Richard Titmuss, Income Distribution and Social Change. Toronto: University of Toronto Press, 1962; James N. Morgan, et al. Income and Welfare in the United States. New York: McGraw-Hill, 1962.

⁴ David Caplovitz, The Poor Pay More. Glencoe: The Free Press 1962

⁵ D.L. Munby, God and the Rich Society. London: Oxford University Press, 1961 (see p. 85)

the use of capital in the public interest. The time may be not far ahead when we in Canada will have to begin to work out a whole new concept of an incomes policy that concentrates on standards of living, however achieved, and in the long run detaches the notion of income from the notion of work - and relates it to the national objectives of human well-being. This is an aspect of welfare that has not been explored, to our knowledge, and which requires urgent attention - particularly in the development of research as a basis for socio-economic planning. This will require of the labour movement particularly, a breadth of vision and a willingness to avoid the seductions of immediate benefits that will tax the leadership and challenge the membership to the utmost.

President Johnson has set himself the goal of A Great Society. We are suggesting that any great society must make human welfare one of its primary purposes. Our unfinished business in welfare must be to work out and spell out what is meant by a decent standard of living - and then create the social institutions and the fiscal and administrative devices by which it can be achieved by all Canadians. To that end it is suggested that our unfinished business - indeed much of it is our unstarted business - must be aimed at three major objectives:

- A. An incomes policy that ensures to every Canadian enough command over resources to purchase for himself and his dependents, the goods and services for a full, healthy and useful life.
- B. A public services policy that ensures to every Canadian access to housing, recreation, education and health services at the highest available level.
- C. A welfare services policy that ensures to every Canadian access to the fullest possible range of services - preventive, curative and rehabilitative, that will protect him and his dependents from unnecessary deprivation and suffering caused by the inevitable mischances and misfortunes of human affairs.

Concluding Observations - The Role of Organized Labour

The unfinished welfare business of the half century from, say 1925 to 1975 will be to lay the foundations for the following quarter or half a century. What we do, or fail to do, in the next ten or fifteen years about this unfinished business will, we believe, determine whether Canada ends this century in the forefront of civilized industrial nations or limps into the twenty-first century crippled and cramped by the undiscarded antiquities of an outmoded and inadequate welfare system. A good deal will depend, in our judgment, upon the attitude of organized labour. There will be a strong temptation to take short-run benefits at grave cost to future generations. We trust that Labour in Canada is now mature enough to resist the seduction of easy gains at the price of sound policies.

Organized labour must learn to think into the future and not allow itself to be shackled to the past. The probable pattern of lifetime employment in the future is likely to be quite different from that of industrial society in the past century. Then it could be assumed that the typical worker joined the labour force on leaving school and his wage rate rose gradually, according to his merits and increasing knowledge and skill, to a wage-plateau probably in his mid-thirties, holding at this level until retirement. His wage level rose with the average wage level. He built up his home and his stock of personal possessions and put aside his savings or life insurance for the future. In this situation, social policy was concerned primarily with protection against interruption in the regularity of earnings and against contingencies which prevented him from taking his place in the labour force. Seniority was important to secure continuity of earnings in later years, and retirement and disability pensions could be legitimately based on the assumption of a long history of regular earnings on a lifetime pattern.

This pattern is unlikely to be true in the future. A worker is more likely to join the labour force later in life than hitherto, equipped for current practices, and to find himself extruded from the labour market for lack of the necessary knowledge and skill within eight to twelve years. He will need an income to maintain himself and his family at this point and he will need to be retrained and re-equipped to re-enter the labour market as a beginner in a new trade or occupation. This interruption is likely to occur just at the point when he is meeting the major costs of purchasing a house and rearing a young family, and he and his family will need protection against the social consequences of interruption of savings and possibly the extra costs of setting up a household and relocating elsewhere. These interruptions and new starts may easily occur again at least twice and possibly three times before he retires. Each time his savings will be depleted and his family standard of living lowered. His lifetime average wage may well be unreliable and inappropriate as a basis of calculation for pensions and other income benefits. Seniority will cease to be significant or valuable. In these circumstances, organized labour should be considering new approaches to wage-contracts and to the development of national welfare policies to meet new needs. Among these needs will be:

- (a) Protection against work insecurity and the recognition of intervals for re-training as "work".
- (b) Continuity of adequate family income, irrespective of current participation in the work-force, but related to active membership in the labour force, whether at work or in training.
- (c) Retraining for re-employment in a changing technology.
- (d) Maintenance of household capital and protection against abuse of credit.
- (e) Household relocation grants for essential mobility in the labour market.

- (f) Pension and welfare benefits related to recent levels of wages relative to the worker's best position in the wage structure rather than to an average brought down by successive enforced periods of "non-work".
- (g) Family benefits to ensure health, education, and decent living conditions at all times for his children.

Some of these objectives should properly be part of contract negotiations and union membership conditions, but we must be very careful not to create two classes of workers - those with effective work and welfare security in this new sense, and a very large number who would be excluded from benefit because they are not organized. Some of these benefits should be developed as an essential part of a national manpower policy - indeed some are foreshadowed in general terms in Chapter 8 of the Economic Council's first Report. Some of them, particularly family benefits, household capital protection, pension benefits, will require a detailed re-examination and reconstruction of our social welfare programmes. All of these require urgently the vigorous support of organized labour along with some research and planning into the question of a guaranteed income.

The difficulty with the compression of complex ideas into a short summary is that they tend to end up as platform platitudes. These objectives are not meant to be easy phrases for speechmakers but incitements to exercise all our skills, ingenuity and wisdom in working out practical answers; in the belief that upon our success hangs the very existence of our Western Affluent Society in an increasingly hungry and powerful world of rising expectations.

(Note: This paper was prepared for presentation at the Conference on Social Security, Niagara Falls, Ontario, March 15 to 18, 1965)

